

Message Text

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PAGE 01 TEHRAN 05624 270624Z
ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
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SS-15 STR-04 CEA-01 DODE-00 PA-02 PRS-01 AGRE-00
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FM AMEMBASSY TEHRAN
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E.O. 11652: N/A
TAGS: ECON IR
SUBJ: IRAN'S ECONOMIC SITUATION

REF: (A) TEHRAN A-82, (B) TEHRAN A-85, (C) TEHRAN A-92, (D) TEHRAN
A106

1. THE ANNUAL ECONOMIC ASSESSMENT OF IRAN'S ECONOMY PUBLICIZED
IN SUMMARY BY CENTRAL BANK OF IRAN (CBI) GOVERNOR MEHRAN IN
CONNECTION WITH THE CGI'S ANNUAL BOARD MEETING JUNE 15, PLUS
ANNOUNCEMENTS CONCERNING THE CBI'S MONETRAY PROGRAM AND EMB
INQUIRIES CONCERNING REVISED PRELIMINARY YEAR 2535 (ENDED
MARCH 20) AND PRIOR YEAR MACROECONOMIC DATA AMEND SOMEWHAT
DATA REPORTED IN REFS A B AND C AS FOLLOWS:

1. MEHRAN STRESSED IRAN' "OUTSTANDING" ECONOMIC GROWTH DES-
PITE BOTTLENECKS AND SUCCESS IN MEASURES TO INCREASE SAVINGS
AND SLOW GROWTH IN CONSUMPTION. WITH FEW CHANGES EXCEPT IN
AGGREGATE ECONOMIC GROWTH FROM PRELIMINARY DATA IN REF C,
ASSESSMENT AND DATA GIVEN WERE THOSE REPORTED IN REFS A B AND
C. MEHRAN GAVE ONLY SLIGHT ACKNOWLEDGEMENT TO INFLATION
PROBLEM, MERELY NOTING THE 16.6 AND 13.5 PERCENT AVERAGE
INCREASE IN THE CONSUMER AND WHOLESALE PRICE INDEXES IN
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PAGE 02 TEHRAN 05624 270624Z

2535. HE STRESSED A GDP REAL GROWTH IN 2535 OF 14.7
PERCENT (RIALS 3614 AND \$51.3 BILLION), HIGHER THAN
ANTICIPATED OWING CHIEFLY TO REAL VALUE ADDED IN THE OIL
SECTOR OF 14 PERCENT AGAINST A MINUS 12 PERCENT IN 2534.
BY PRELIMINARY ESTIMATES, THE INDUSTRIAL SECTORS POSTED
REAL VALUE ADDED GROWTH OF 23 PERCENT (INDUSTRY AND MINES
16 PERCENT, CONSTRUCTION 43 PERCENT) AND AGRICULTURE 6.4

PERCENT. MEHRAN STRESSED THE SUCCESS IN GOVT FINANCIAL CONSTRAINTS, WITNESSED BY A MODEST 14 PERCENT INCREASE IN 2535 EXPENDITURES. IN REAL TERMS, AGGREGATE DEMAND INCREASED 29 PERCENT AND SUPPLY 14 PERCENT, VERSUS 39 AND 26 PERCENT RESPECTIVELY IN 2534, AND IMPLICIT ADMISSION OF CONTINUED DISEQUILIBRIUM IN THE ECONOMY. IMPORTS INCREASED 16 PERCENT IN VOLUME AND 15 PERCENT IN VALUE (CUSTOMS BASIS) VERSUS 42 AND 77 PERCENT IN 2534. FOREIGN EXCHANGE PAYMENTS INCREASED 15 VERSUS 55 PERCENT IN 2534. OTHER EXTERNAL ACCOUNTS DATA WERE AS REPORTED BY EMB. THE INDUSTRIAL WORK FORCE INCREASED BY 4 PERCENT TO 2.5 MILLION WITH REAL WAGES UP 28 PERCENT. CAPITAL FORMATION IN 2535 INCREASED BY 41 PERCENT (21 REAL) AT RIALS 1550 BILLION. GOVT EXPENDITURES, AT RIALS 1792 BILLION, EXCEEDED INCOME OF RLS. 1744 BILLION BY RLS. 48 BILLION (\$681 MILLION).

B. MONETARY: EFFECTIVE JUNE 15 THE CBI AUTHORIZED DEPOSIT AND LENDING INTEREST RATE INCREASES BY THE BANKS: THE SPREADS DO NOT CHANGE, BUT MOST RATES WENT UP BY ONE (1) PERCENTAGE POINT. DEPOSIT RATES EIGHT (8) ON PASSBOOK AND 9 AND 10 ON TERM. LENDING RATES INCREASED TO 14 PERCENT INCLUDING FEES WITH THE SPECIALIZED BANKS NOW CHARGING 10 PERCENT ON TERM INVESTMENT LOANS. THE CBI'S DISCOUNT RATE REMAINS AT NINE (9) PERCENT FOR EXPORT FINANCING AND 12 PERCENT FOR INDUSTRIAL AND AGRICULTURAL OPERATIONS. BANKING REACTION HAS BEEN RATHER MUTED. GIVEN CREDIT EXPANSION CON-

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PAGE 03 TEHRAN 05624 270624Z

STRAINTS, COMPETITION FOR DEPOSITS HAS INTENSIFIED. CBI VICE GOVERNOR HOMAYOUN MADE PUBLIC THE INTRODUCTION OF SELECTIVE CREDIT RESTRAINTS (PREDICTED IN REF C) WITH PRIORITY GOING TO PRODUCTIVE USES AND AWAY FROM CONSTRUCTION.

C. EMB OBTAINED THE FOLLOWING DATA (IN MILLION DOLLARS) WHICH AMEND THOSE IN THE INDICATORS AND TEXT IN REF C (ECONOMIC TRENDS REPORTOLC

	PERCENT CHANGE				
	2534	2535	2536	2535	2536
GNP AT CURRENT					
PRICES 1/	52,513	68,723	81,093	39.9	18.0
GNP AT CONSTANT					
2533 PRICES 1/	47,486	53,876	58,185	13.5	8.0
PER CAPITA GNP					
(CURRENT PRICES					
IN \$)	1,605	2,051	2,364	27.8	15.3
POPULATION					
(MILLIONS)	32.7	33.5	34.3	2.4	2.4

THE GNP DEFLATOR FOR 2535 HAS BEEN ADJUSTED BY CBI TO 15.3

1/ GNP FIGURES ARE WORKED AT CONSTANT PRICES (2533) RATE OF
RLS. 67.5
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Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
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